

Message Text

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ITC-01 TRSE-00 PRS-01 SP-02 SOE-01 OMB-01 DOE-12
GSA-02 NEA-10 IGA-02 DOEE-00 AF-10 /136 W
-----127852 222107Z /41

O 221919Z DEC 77

FM AMEMBASSY BRUSSELS

TO SECSTATE WASHDC IMMEDIATE 3959

INFO ALL EC CAPITALS

USMISSION GENEVA

AMEMBASSY TOKYO

AMEMBASSY MADRID

AMEMBASSY STOCKHOLM

AMEMBASSY VIENNA

AMEMBASSY BERN

C O N F I D E N T I A L SECTION 01 OF 04 BRUSSELS 19215

USEEC

PASS ELECTRONICALLY TO STR; GENEVA FOR MISSION AND MTN DEL;
PARIS ALSO FOR USOECD

E.O. 11652: GDS

TAGS: ETRD, EEC

SUBJECT: EC ACTIONS ON STEEL

REF: A) BRUSSELS 19130, B) BRUSSELS 18934, C) BRUSSELS
19129, D) BRUSSELS 18991, E) BRUSSELS 19132

1. SUMMARY: AMBASSADOR QUESTIONED DAVIGNON CLOSELY ON
DETAILS OF COUNCIL DECISION ON STEEL, PARTICULARLY ITS
QUANTITATIVE IMPLICATIONS. DAVIGNON MAINTAINED THAT PLAN
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IS THE LEAST BAD OF ALTERNATIVES AVAILABLE TO EC AND PRE-
VENTS INCREASE OF STATE AIDS BY FRG AND POSSIBLE ARTICLE
XIX ACTION BY FRANCE. HE ALSO CLAIMS THAT EXPORTERS WILL
KEEP THEIR 1976 EXPORT LEVELS TO THE EC. HE SUGGESTS
EARLY CONSULTATIONS ON THE BASE PRICE SYSTEM BEFORE IT
IS IMPOSED ON JANUARY 1 AND BILATERAL AND TRILATERAL
MEETINGS TO DISCUSS OVERALL WORLD STEEL SITUATION EARLY

NEXT YEAR. END SUMMARY.

2. AMBASSADOR MET WITH COMMISSIONER DAVIGNON FOR ONE HOUR MORNING OF DECEMBER 22 TO DISCUSS EC COUNCIL DECISIONS ON STEEL. AMBASSADOR STATED THAT HE ACTING ON INSTRUCTIONS TO SEEK MORE INFORMATION ON EC DECISION AND THAT THERE WAS AS YET NO OFFICIAL US GOVERNMENT REACTION, ALTHOUGH EVIDENT MISGIVINGS. MEETING CONSISTED LARGELY OF AN EXCHANGE OF QUESTIONS AND ANSWERS, WITH DAVIGNON AT ONE POINT BECOMING MILDLY ANNOYED WITH EXTENT OF QUESTIONING, THEN APOLOGIZING FOR HIS ANNOYANCE.

3. DAVIGNON SAID THAT US MUST UNDERSTAND THAT ATMOSPHERE WITHIN THE EC HAD BECOME UNBEARABLE. SITUATION FOR STEEL PRODUCERS IS MUCH WORSE THAN IN THE US. THE ONLY ALTERNATIVES OPEN FOR EVEN EFFICIENT PRODUCERS WERE BANKRUPTCY OR STATE AIDS. HE WANTED TO KEEP THE FRG FROM OFFERING AIDS TO ITS INDUSTRY. THIS HAD BEEN A REAL THREAT. HAD THE EC ADOPTED A PURELY ANTI-DUMPING APPROACH, WHICH HAD BEEN CONSIDERED, THIS COULD HAVE BEEN UNACCEPTABLE TO A NUMBER OF STATES (SIC) STARTING WITH THE FRENCH, WHO THREATENED TO INVOKE ARTICLE XIX ON A NATIONAL BASIS. IN LEGAL TERMS, THE MEMBER STATES RATHER THAN THE COMMISSION ARE RESPONSIBLE FOR TRADE UNDER THE EUROPEAN COAL AND STEEL COMMUNITY TREATY AND THERE-
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FORE THE FRENCH COULD HAVE ACTED ALONE. THE COMMISSION WON IN THE COUNCIL THIS WEEK A MAJOR COMPETENCE FOR TRADE WHICH MAY BE USED TO ADVANTAGE AT A LATER POINT. DAVIGNON DEFENDED THE COUNCIL DECISION AS THE LEAST BAD OF ALL POSSIBLE DECISIONS ON STEEL, GIVEN THE STATE OF THE INDUSTRY. HE ALSO ALLUDED TO THE FACT THAT A RESORT TO UNILATERAL MEASURES IN STEEL BY THE MEMBER STATES WOULD INEVITABLY HAVE HAD SERIOUS REPERCUSSIONS IN OTHER ECONOMIC AND POLITICAL AREAS OF COMMUNITY ACTIVITIES AND US-COMMUNITY RELATIONS.

4. INTERNAL MEASURES. ON THE DETAILS OF THE COUNCIL DECISION, DAVIGNON LED OFF WITH A DESCRIPTION OF THE INTERNAL MEASURES WHICH HAVE BEEN ADOPTED.

IN ADDITION TO MEASURES RELATING TO RESTRUCTURING, THERE WERE TWO OF IMPORTANCE TO US AND TRADE PROBLEMS. FIRST, EXTENSION OF APPLICABILITY OF PRICE REGULATIONS TO TRADERS, AS DISTINCT FROM PRODUCERS, WHO HAD PREVIOUSLY BEEN COVERED. SECOND, ADDITION OF TWO NEW PRODUCTS (WIDE HOT-ROLLED STRIP AND LAMINATED MERCHANT BARS) TO THE OBLIGATORY MINIMUM PRICE REGIME ON THE INTERNAL MARKET. MANDATORY

MINIMUM PRICES, AS OPPOSED TO GUIDANCE PRICES, NOW WILL COVER APPROXIMATELY THIRTY PERCENT OF COMMUNITY STEEL PRODUCTION AND TRADERS WILL BE EXPOSED TO LEGAL SANCTIONS IF THEY DO NOT RESPECT THESE PRICES. ANOTHER CHANGE IN THE INTERNAL SYSTEM WOULD GIVE COMMUNITY PRODUCERS THE POSSIBILITY OF ALIGNING THEIR PRICES ON THE PRICES OF IMPORTED STEEL IN SOME CIRCUMSTANCES (COMMENT: THIS POINT AND ITS IMPLICATIONS REQUIRE FURTHER CLARIFICATION).

5. NEGOTIATIONS WITH EXPORTERS CONCERNING POST-APRIL 1978 PERIOD. ON THE EXTERNAL SIDE, DAVIGNON SAID THAT EXTENSION OF THE PERIOD FOR PROVISIONAL ANTI-DUMPING

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FM AMEMBASSY BRUSSELS

TO SECSTATE WASHDC IMMEDIATE 3960

INFO ALL EC CAPITALS

USMISSION GENEVA

AMEMBASSY TOKYO

AMEMBASSY MADRID

AMEMBASSY STOCKHOLM

AMEMBASSY VIENNA

AMEMBASSY BERN

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MEASURES FROM TWO TO THREE MONTHS (THE ONLY CHANGE MADE BY THE COUNCIL IN THE COMMISSION'S PROPOSAL AS HE HAD OUTLINED IT TO ME JUST BEFORE THE COUNCIL) WAS DESIGNED TO GET PAST THE FRENCH ELECTIONS AND THUS TO AVOID REQUIRING THE FRENCH TO MAKE AN IMPORTANT POLITICAL DECISION ON THE RESULTS OF THE COMMUNITY'S NEGOTIATIONS ON THE EVE OF THEIR ELECTIONS. HE DEALT FIRST WITH THE OBJECTIVES OF THE BILATERAL NEGOTIATIONS WHICH THE COMMUNITY WILL HOLD WITH EXPORTING COUNTRIES AIMED AT

REACHING AGREEMENTS TO BECOME EFFECTIVE ON APRIL 1. IN THESE NEGOTIATIONS, THE EXPORTING COUNTRIES WILL BE ASKED TO ASSURE THAT PRODUCERS IN THEIR COUNTRIES OBSERVE A PRICE DISCIPLINE ON EXPORTS TO EC NOT BASED ON THEIR HOME COSTS OF PRODUCTION BUT TIED TO THE GUIDANCE AND MINIMUM PRICES WHICH EXIST INSIDE THE COMMUNITY.
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(NOTE THAT THESE PRICES ARE DIFFERENT FROM THE REFERENCE PRICES TO BE ESTABLISHED FOR ANTI-DUMPING PURPOSES AND THAT THEY WILL, UNDER THE COUNCIL PLAN, INCREASE BY A TOTAL OF 15 IN THREE STAGES OF 5 INCREMENTS OVER THE NEXT YEAR.) THESE PRICES WILL BE FIXED BY THE COMMISSION; THE MEMBER STATES HAVE NO AUTHORITY IN THE ECSC TO FIX PRICES. DAVIGNON STATED THAT HE HAD TOLD THE MEMBER STATES THAT THESE PRICES WOULD NEVER BE ALLOWED TO GO ABOVE THE PRODUCTION COSTS PLUS A PROFIT TO THE MOST COMPETITIVE PRODUCER WITHIN THE COMMUNITY. OTHERWISE, HE ASSERTED THERE WOULD BE NO WAY TO RESTRUCTURE THE COMMUNITY INDUSTRY. HE SAID THAT NO MEMBER STATE CHALLENGED THIS STATEMENT AND THAT, IN POINT OF FACT, ACTUAL EC MARKET PRICES ARE NOW WELL BELOW THIS PRICE LEVEL.

6. IN RESPONSE TO QUESTIONS ABOUT QUANTITIES EXPORTERS MAY SHIP TO EC, DAVIGNON REPLIED THAT THE COMMUNITY WILL INSURE IMPORTS AT 1976 LEVELS TO EXPORTERS WHO AGREE TO THE PRICE DISCIPLINE. DAVIGNON STATED THAT PRELIMINARY CONTACTS WITH JAPAN AND SOUTH AFRICA INDICATE A GOOD POSSIBILITY THAT THEY WILL READILY AGREE. THE EFTA COUNTRIES ARE ALSO INTERESTED, PARTICULARLY SINCE THIS WILL SHORE UP THEIR OWN PRICES WHICH ARE AT DESPERATION LEVELS. (COMMENT: THE SWEDISH AND AUSTRIAN AMBASSADORS ARE NOT SHOWING ENTHUSIASM.) THE DIFFICULTIES HE SEES SO FAR WILL BE WITH SPAIN AND THE EAST EUROPEANS. ONE PROBLEM IN THE LATTER AREA IS THAT THEY WILL BE RELUCTANT FOR POLITICAL REASONS TO GET INVOLVED IN A COMMISSION-LED NEGOTIATION. HOWEVER, WITH THE EAST EUROPEANS THE EC CAN TAKE AUTONOMOUS MEASURES AND SO IS NOT OVERLY CONCERNED. WHILE QUANTITATIVE RESTRICTIONS ON THE EAST EUROPEANS ARE NOW IMPOSED ON A NATIONAL BASIS BY EACH MEMBER STATE, IN THE FUTURE WITH OR WITHOUT AGREEMENTS
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HE EXPECTS THERE WOULD BE A COMMUNITY POLICY EVEN IF NATIONALLY IMPLEMENTED.

7. RETURNING TO DAVIGNON'S ASSERTION THAT QUANTITATIVE RESTRICTIONS WERE NOT INVOLVED, THE AMBASSADOR REMINDED DAVIGNON OF HIS MONDAY ADMISSION THAT IN RETURN FOR PRICE DISCIPLINES EXPORTERS WOULD RECEIVE FLOORS AND THAT CEILINGS WOULD BE CLOSE TO FLOORS. THE AMBASSADOR ASKED IF THIS WAS STILL THE CASE AND, IF SO, WASN'T IT A QUANTITATIVE APPROACH. DAVIGNON RESPONDED IT WAS STILL THE CASE BUT THAT THERE IS AN IMPORTANT DIFFERENCE BETWEEN QUANTITATIVE RESTRICTIONS AND QUANTITATIVE EFFECTS ACHIEVED WITH A PRICE MECHANISM. FLOOR WOULD BE GUARANTEED TO EXPORTERS ACCEPTING PRICE DISCIPLINE AND PRICE COMPETITION FROM COMMUNITY PRODUCERS WOULD LIMIT EXPORTERS TO A MARKET SHARE CLOSE TO THE FLOOR. WHILE THIS HAS A QUANTITATIVE IMPLICATION, IT IS NOT A QUANTITATIVE RESTRICTION WITHIN THE TERMS OF THE OECD DECLARATION. THE AMBASSADOR COMMENTED THAT THE COMMUNITY PLAN MAY BE WITHIN THE LETTER OF THE DECLARATION, BUT THE QUESTION OF ITS SPIRIT IS A DIFFERENT THING. DAVIGNON CONTINUED TO DEFEND THE APPROACH, SAYING THAT HE FEELS AT EASE IN TELLING THE EXPORTERS THAT THE EC NEEDS THEIR HELP IN SHORING UP ITS PRICES. AT THE SAME TIME, EC IS ALLOWING THE BENEFIT OF ITS PROGRAM TO GO TO THE EXPORTERS IN THE FORM OF THE HIGHER PRICES WHICH THEY WILL RECEIVE FOR THEIR SALES. THIS PLUS THE EC WILLINGNESS TO GUARANTEE TRADITIONAL QUANTITIES SHOULD BE AN ATTRACTIVE FEATURE FOR THE EXPORTERS.

8. THE AMBASSADOR ASKED IF THIS COUNCIL DECISION DID NOT INVOLVE ROLLBACKS TO 1976 LEVELS OR EVEN BELOW. DAVIGNON SAID NO, THE EC IS NOT SEEKING ROLLBACKS FROM EXPORTING COUNTRIES. THEY WILL BE GUARANTEED 1976 SALES, WHICH HE MAINTAINED SHOULD BE AS LARGE AS SALES MADE IN 1977 WHEN ALL FIGURES ARE IN. ANY INCREASE IN 1977 WAS

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O 221919Z DEC 77

FM AMEMBASSY BRUSSELS

TO SECSTATE WASHDC IMMEDIATE 3961
INFO ALL EC CAPITALS
USMISSION GENEVA
AMEMBASSY TOKYO
AMEMBASSY MADRID
AMEMBASSY STOCKHOLM
AMEMBASSY VIENNA
AMEMBASSY BERN

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NOT IN QUANTITIES BUT IN PERCENTAGE OF OVERALL COMMUNITY CONSUMPTION IN AS MUCH AS EC PRODUCTION DECLINED. HE SAID THAT THE LANGUAGE OF THE COUNCIL DECISION, WHICH SPEAKS OF TRADITIONAL TRADE, TAKING INTO ACCOUNT THE EXPECTED DROP IN PRODUCTION IN 1978, HAS NO PRACTICAL EFFECT. HE ADMITTED HE HAD SOME TROUBLE EXPLAINING THIS BUT MAINTAINED THAT GUARANTEEING 1976 QUANTITIES WILL NONETHELESS MEAN NO ROLLBACKS FOR EXPORTING COUNTRIES. HE ADDED THAT THE COMMISSION EXPECTS THAT SALES WILL IMPROVE IN THE SECOND HALF OF 1978 ON THE DOMESTIC MARKET EVEN THOUGH PRODUCTION WILL BE DOWN. HE ALSO BELIEVES THAT EC MEASURES WILL ENCOURAGE DEALERS TO LIQUIDATE THEIR REMAINING STOCKS IN THE SHORT TERM AND DISAGREED WITH THE AMBASSADOR'S THOUGHT THAT DEALERS MIGHT BE INCLINED TO HOLD STOCKS WHICH THEY ACQUIRED
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AT LOW PRICES IN CERTAIN KNOWLEDGE THAT EC PRICES WILL BE INCREASED OVER THE YEAR. DAVIGNON STATED THAT MOST STEEL SALES AT THE PRESENT TIME (HE ESTIMATED MORE THAN 75 PERCENT) ARE MADE THROUGH DEALERS ALTHOUGH PRODUCERS ARE MOVING TO MAKE MORE DIRECT SALES.

9. IN REPLY TO ANOTHER QUESTION, DAVIGNON STATED THAT HIS INTENTION IS TO NEGOTIATE ONLY WITH PRESENT SUPPLIERS. SHOULD US SALES BECOME A MAJOR FACTOR IN THE EC MARKET, HE COULD FORESEE A NEGOTIATION WITH US. HE MAINTAINED THAT THIS WAS ENTIRELY THEORETICAL, HOWEVER, INASMUCH AS EVEN AFTER THE 15 PERCENT INCREASED PRICES, WITH THE POSSIBLE EXCEPTION OF ONE PRODUCT CATEGORY, WOULD BE BELOW PRESENT US PRICES, NOT TO MENTION ANY INCREASES US INDUSTRY MAY IMPOSE.

10. PROVISIONAL SYSTEM-JANUARY 1 TO MARCH 31. DAVIGNON SAID THAT UNUSED AUTOMATIC LICENSES HAVE BEEN ANNULED FOR THE REST OF THE YEAR, EXCEPT FOR STEEL IN TRANSIT. EXPORTERS WILL NEED TO REINTRODUCE THEIR REQUESTS FOR LICENSES, ADDING A NEW ELEMENT OF CITING THE PRICE AT THE PLACE OF DESTINATION. UNLIKE THE PERMANENT SYSTEM

TO BE NEGOTIATED WITH EXPORTERS FOR AFTER APRIL 1, THE TEMPORARY SYSTEM WILL BE BASED ON PRICES OF THE MOST EFFICIENT FOREIGN PRODUCERS. DAVIGNON CITED ARTICLE 8(C) OF THE GATT ANTI-DUMPING CODE AS PROVIDING THE AUTHORITY FOR THE SYSTEM OF PROVISIONAL ANTI-DUMPING DUTIES WHICH THE EC WILL IMPOSE. HE STATED THAT AS SOON AS THE EC HAS A CLEAR IDEA ON REFERENCE PRICES, IT WILL CONTACT US SO THAT THE BASE PRICES THE EC IMPOSES JANUARY 1 WILL NOT COMPLICATE OR CONFLICT WITH THOSE THE US WILL IMPOSE UNDER THE SOLOMON PLAN. HE PROPOSED A MEETING DURING THE WEEK OF DECEMBER 26.

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HE SAID THAT THE REFERENCE PRICES REFLECTING PRODUCTION OF THE MOST EFFICIENT EXTERNAL SUPPLIER WOULD BE WELL BELOW EC GUIDANCE AND MINIMUM PRICES. HE SAID THAT SHOULD OBJECTIVE CALCULATIONS RESULT IN A BASE PRICE FOR EXPORTS WHICH WOULD BE ABOVE COMMUNITY PRICES, THIS BASE PRICE WOULD BE REDUCED BY AN AMOUNT SUFFICIENT TO KEEP IT LOWER THAN COMMUNITY MINIMUM PRICES.

11. DECIDING ON THE BASE PRICES WILL BE COMPLICATED IN THAT THE EC WILL HAVE TO USE TARIFF LINES, AMOUNTING TO SOME 40 OR 50 CATEGORIES, RATHER THAN THE SIMPLER PRODUCT CLASSIFICATION USED INTERNALLY BY THE EC. EXPORTS BELOW THE BASE PRICE WOULD BE SUBJECT TO A COMPENSATORY TAX WHICH WILL BE KEPT SEPARATE FROM NORMAL COMMUNITY RECEIPTS AND ASSIGNED TO A BANK UNTIL THE FULL ANTI-DUMPING PROCEDURES HAVE BEEN COMPLETED BY THE COMMISSION.

12. THE AMBASSADOR SAID THAT ONE DIFFERENCE BETWEEN THIS TEMPORARY PLAN AND THE SOLOMON PLAN IS THAT THE EC WILL COLLECT ITS DUTIES IMMEDIATELY. DAVIGNON SAID THAT THIS WAS CORRECT AND THAT IT FLOWED FROM THE FACT THAT THE COMMUNITY FOLLOWED THE PROCEDURES OF THE GATT ANTI-DUMPING CODE AND THE US HAD ITS OWN LAW WHICH WAS SOMEWHAT DIFFERENT. (COMMENT: UNTIL NOW SO HAVE BEEN COMMUNITY PRACTICES DIFFERENT.) THE AMBASSADOR SAID THAT UNTIL THE BASE PRICE IS PUBLISHED ON JANUARY 1, EXPORTERS WILL HAVE TO GUESS WHAT PRICE TO PUT ON THEIR REQUESTS FOR IMPORT LICENSES AND, IF THEY PUT ON THE WRONG ONE, THEY WILL BE ASSESSED A DUTY. HE THOUGHT THAT ONCE THE BASE PRICES ARE PUBLISHED, HOWEVER, ALL EXPORTERS WILL AUTOMATICALLY QUOTE AT LEAST THAT PRICE IN REQUESTING THEIR LICENSE. DAVIGNON SAID THIS WAS LIKELY BUT THAT IMPROVED LEGAL CONTROL OVER DEALERS WILL GIVE THE EC A BETTER HANDLE ON ACTUAL TRANSACTION PRICES. HE THOUGHT THERE WOULD

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BE CHEATING BUT NOT AS MUCH AS IS PRESENTLY GOING ON.

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FM AMEMBASSY BRUSSELS

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AMEMBASSY VIENNA

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THE ONLY WAY TO RULE OUT THE POSSIBILITY OF ANY CHEAT-
ING WOULD BE TO APPLY A TAX NO MATTER WHAT THE PRICE OF
THE IMPORT, WHICH THE COMMUNITY DID NOT WANT TO DO.
BECAUSE THE BASE PRICE WOULD BE BASED ON COSTS IN AN
EFFICIENT FOREIGN PRODUCER, THE LEVEL OF THE TAX COULD
BE DIFFERENT FOR DIFFERENT EXPORTERS. DAVIGNON STATED
THAT REQUESTS FOR LICENSES WOULD BE GRANTED AUTOMATICALLY.
13. EFFECTS ON SOLOMON PLAN. THE AMBASSADOR ASKED WHAT
THE EC WOULD DO WERE PRESSURES FROM US INDUSTRY AND
LABOR TO LEAD THE USG TO SEEK RESTRICTIVE BILATERAL
AGREEMENTS TO PRECLUDE IMPORTS AT PRICES BELOW THOSE
OF AN EFFICIENT AMERICAN PRODUCER. DAVIGNON SAID THAT
HE WOULD REJECT ANY ARGUMENT THAT THIS WAS JUSTIFIED
IN THE US CASE. THE EC PRICES NEGOTIATED WITH EXPORTERS

WILL BE WELL BELOW US PRICES, AND THOSE PRICES WHICH
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HE KNOWS THE US INDUSTRY WANTS. THE TRIGGER PRICE
BEING DEVELOPED NOW IN THE US, HE SAID, WILL REPRESENT
A BALANCE BETWEEN WHAT THE US INDUSTRY WANTS AND WHAT
THE JAPANESE WILL ACCEPT. BECAUSE EC PRICES WILL BE
BELOW US PRICE, HE SEES NO EFFECT ON THE SOLOMON PLAN.
HE ADDED THAT MOREOVER THE AVOWED OBJECTIVE OF THE
SOLOMON PLAN IS TO REDUCE IMPORTS BY 3 OR 4 MILLION
TONS AND CONTRASTED THIS WITH THE EC PLAN TO MAINTAIN
THE 1976 LEVEL OF IMPORTS. HE ADDED THAT IF THE US
GOVERNMENT WERE WILLING TO GUARANTEE HIM HIS PRESENT
SHARE OF THE US MARKET BASED ON THE US PRICE LESS 7 PERCENT
HE WOULD BE WILLING TO SIGN A BILATERAL TOMORROW.

14. DAVIGNON CONCLUDED BY SAYING THAT THE COMMISSION HAD
GIVEN AWAY NO POWERS OF SIGNIFICANCE TO THE COUNCIL AND
HAD GAINED A LOT. IN ADDITION TO THE IMMEDIATE NEED TO
CONSULT ON BASE PRICES, HE THOUGHT THAT FUTURE INTENSIVE
BILATERAL CONSULTATIONS AND TRILATERAL CONSULTATIONS
BRINGING IN THE JAPANESE WOULD BE ESSENTIAL. WITH RESPECT
TO TIMING, HE THOUGHT THAT THESE SHOULD BE HELD AS SOON AS
THE US HAS FINISHED ITS WORK ON THE SOLOMON PLAN AND THE
PLAN HAS BEEN IMPLEMENTED.

15. THE AMBASSADOR AGREED ON THE NEED FOR FURTHER
DISCUSSION AND EXPRESSED HIS PERSONAL VIEW THAT THE
EC PLAN, PARTICULARLY FOR BILATERAL AGREEMENTS, TOOK
THE WORLD TRADING SYSTEM ANOTHER STEP IN THE WRONG
DIRECTION.

16. COMMENT: IT SEEMS CLEAR TO ME THAT COMMISSION HAS NOT
YET THOUGHT THROUGH MANY OF THE IMPLICATIONS AND COMPLICA-
TIONS WHICH IMPLEMENTATION OF ITS SCHEME WILL HAVE, BOTH
ON THE EC MARKET AND ON OTHER WORLD MARKETS. FOR EXAMPLE,
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THERE SEEMS TO BE A HIGH PROBABILITY, MITIGATED ONLY BY
THE FACT THAT THE EC ALREADY HAS A SYSTEM OF "VOLUNTARY
EXPORT RESTRAINT AGREEMENTS" IN EFFECT, THAT SOME EC
SUPPLIERS WILL TURN TOWARD THE US MARKET WHERE THEY MAY
GET HIGHER PRICES FOR THEIR EXPORTS AND STILL NOT BE
SUBJECT TO THE US FAST-TRACK DUMPING INVESTIGATION.

17. PENDING FURTHER ANALYSIS OF THE PLAN'S EFFECTS AND

ABOUT WHAT WE MIGHT TRY TO DO TO DETRACK OR MITIGATE
THE DISADVANTAGES OF THE EC SCHEME FOR US, I RECOMMEND:

A) AN OFFICIAL EXPRESSION OF SERIOUS US CONCERN,
APPROPRIATELY ARGUED, TO BOTH COMMISSION AND MEMBER
STATES;

B) DISPATCH OF A US EXPERT TO BRUSSELS FOR CONSULTA-
TIONS ON EC REFERENCE PRICES DURING THE WEEK OF
DECEMBER 26;

C) FIXING DATES, FIRST FOR EARLY TRILATERAL (US-EC-
JAPAN) CONSULTATIONS, TO BE FOLLOWED BEFORE END JANUARY
BY SESSION OF OECD AD HOC GROUP TO EXAMINE EC (AND US)
SCHEMES IN DETAIL. INDICATION OF OUR WILLINGNESS TO CON-
SULT ON OUR SCHEME WOULD PUT PRESSURE ON EC TO DEFEND
THEIRS IN MULTILATERAL SETTING. US WILL LOOK GOOD IN
COMPARISON. TIMING WOULD BE AFTER PUBLICATION OF PRO-
POSED US TRIGGER PRICES BUT BEFORE IMPLEMENTATION, SO
WE RISK LITTLE.

D) THOUGHT ABOUT WHAT, IF ANYTHING, PRESIDENT
CARTER SHOULD SAY ABOUT STEEL ON JANUARY 6. HINTON

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Message Attributes

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Disposition Approved on Date:
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Retention: 0
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To: STATE
Type: TE
vdkgvwkey: odhc://SAS/SAS.dbo.SAS_Docs/7a1d49fe-c188-dd11-92da-001cc4696bcc
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